



Panoro Energy

Trading and Financial Update

Third Quarter 2021

22 November 2021

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ABOUT PANORO

Panoro Energy ASA is an independent exploration and production company based in London and listed on the main board of the Oslo Stock Exchange with the ticker PEN. Panoro holds production, exploration and development assets in Africa, namely a producing interest in Block G, offshore Equatorial Guinea, the Dussafu License offshore southern Gabon, OML 113 offshore western Nigeria (held-for-sale, subject to completion), the TPS operated assets, Sfax Offshore Exploration Permit and Ras El Besh Concession, offshore Tunisia and participation interest in an exploration Block 2B, offshore South Africa.

HIGHLIGHTS AND EVENTS

Third Quarter 2021 Highlights and Events

Panoro Energy ASA (“Panoro” or the “Company” with OSE Ticker: PEN) today announced that, on a pro-forma basis, working interest production for the first nine months stood at 7,500 bopd. With new production wells in Equatorial Guinea and Gabon starting to contribute in the fourth quarter and numerous portfolio-wide development initiatives underway and planned, Panoro’s outlook remains strong and one of visible production growth.

Financial Highlights and Key Metrics for the Nine Months to September 2021

Metric	IFRS Reporting Basis	Pro-forma Basis
Net Production (approximate)	5,300 bopd	7,500 bopd
Gross revenue	USD 38.6 million	USD 107.6 million
Number of liftings	5 International 6 Domestic	6 International 6 Domestic
EBITDA	USD 29.7 million <i>(Includes overlift reversal to income of USD 25 million)</i>	USD 67.4 million
EBIT	USD 56.7 million <i>(Gain on acquisition of additional 10% working interest in Dussafu Permit contributed to USD 45.3 million of income recognised under IFRS 3)</i>	USD 90.2 million <i>(after DD&A on a historical basis. Following completion of acquisitions, DD&A will be higher due to depletion of sizeable fair value uplift adjustments made on the purchase price allocation of business combinations)</i>
Cash balance <i>(including USD 10 million held for bank guarantee)</i>	USD 45.1 million	-
Gross Debt	USD 97.4 million	-

- › The Company recognises revenue when liftings of its crude oil entitlement occur. As previously guided, there were no Panoro liftings in the third quarter in Equatorial Guinea or Gabon, with only one domestic lifting occurring in Tunisia
- › Consequently, revenue for the first nine months was USD 107.6 million on a pro-forma basis and EBITDA USD 67.4 million
- › In the fourth quarter the Company has to date completed one lifting of approximately 130,000 barrels net in Gabon (with pricing in excess of USD 80 per barrel anticipated) and expects three further liftings net to Panoro of approximately 900,000 barrels in aggregate in Equatorial Guinea, Gabon and Tunisia before year end
- › At 30 September cash at bank stood at USD 45 million (including USD 10 million cash held for bank guarantee) and gross debt USD 97 million, resulting in a net debt position of approximately USD 52 million
- › Balances at 30 September reflect principal debt repayments of approximately USD 7 million in the third quarter and profits tax payments in Equatorial Guinea of approximately USD 12 million, where profits taxes due are paid annually in the third quarter
- › Capital expenditures for 2021 (excluding acquisition costs) are expected to be USD 45 million, of which USD 25.4 million was spent in the first nine months
- › On an IFRS Reporting Basis, gross revenues were USD 38.6 million, EBITDA USD 29.7 million and working interest production approximately 5,300 bopd in the first nine months

Shareholder Returns Policy

- › Consistent with its strategy to create and deliver shareholder value, the Panoro Board is committed to sustainable shareholder returns, balanced alongside future organic and inorganic growth. The adoption of formal communications regarding the implementation of future dividends clearly demonstrates the Board's strong commitment to shareholder returns through the oil cycle
- › At the time of the Tullow acquisitions, Panoro stated its intention to pay cash dividends starting in mid-2023, coinciding with planned completion of the Hibiscus/Ruche Phase 1 development in Gabon
- › Recognising that oil prices have strengthened since the time of the Tullow acquisitions, Panoro is assessing the feasibility of bringing forward, perhaps significantly, the initiation of a cash dividend. The key external drivers affecting timing include oil prices, capital expenditure requirements, debt service obligations, underlying operational performance, and critically the timing of crude oil liftings
- › Panoro's ultimate intention is to pay out a sustainable quarterly dividend and return a significant portion of free cash flow generated during the applicable financial year
- › Panoro may also consider the use of share buy-backs as a complementary mechanism to return capital to shareholders, in accordance with the AGM resolution approved by its shareholders. As part of its Shareholder Returns Policy Panoro intends on refreshing this resolution at the 2022 AGM and will continually assess the possibility of implementation as part of its overall returns policy
- › As further information and data are gathered over the coming months, Panoro expects to make additional announcements related to the Shareholder Returns Policy including our refined estimates of timing of a first dividend payment, the clear objective being to initiate this at the earliest opportunity

Operational Highlights

Equatorial Guinea – Block G (Panoro 14.25%)

- › Company working interest production in the first nine months averaged 4,240 bopd (29,700 bopd on a gross basis)
- › The operator of the Ceiba field and Okume Complex, Trident Energy, completed drilling of the first new infill well since 2015 at the Okume Complex in August, encountering good quality oil saturated reservoir sands. Hook-up of the well has been completed and production initiated. Drilling and completion of a second well is underway with production start-up expected in the fourth quarter. A third well that was originally anticipated to form part of the current campaign is now expected to be deferred as a result of rig commitments elsewhere, with the production outperformance of the first well compensating for deferral of the third
- › The partners are now focussed on defining further production growth activities in 2022 and beyond, comprising additional workover activity and potential development drilling
- › Panoro expects to make one crude lifting of approximately 700,000 barrels in December 2021

Gabon – Dussafu Marin Permit (Panoro 17.5%)

- › Company working interest production in the first nine months averaged 1,920 bopd (11,000 bopd on a gross basis)
- › As part of the Tortue Phase 2 field development, production from the final two development wells DTM-6H and DTM-7H commenced in October
- › The DTM-6H and DTM-7H wells conclude the Tortue Phase 2 development, whereby the Tortue field now comprises six production wells tied back to the FPSO BW Adolo. The operator BW Energy is in the process of optimising production, with the previously communicated shortage of gas lift capacity currently affecting the ability for all wells to simultaneously produce at their potential
- › In September drilling operations were concluded at the Hibiscus North exploration well (DHBNM-1) with plans for the discovery to be incorporated into future development planning
- › The Hibiscus/Ruche Phase 1 development project is progressing on schedule and within budget with first oil anticipated in Q4 2022

Tunisia – TPS Assets (Panoro 29.4%)

- › Company working interest production in the first nine months averaged 1,340 bopd (4,555 bopd on a gross basis)
- › At the Guebiba, Rhemoura and Cercina fields a number of well operations facilities upgrades to enhance and optimise production are ongoing
- › At the Guebiba field a recent workover at GUE-14 has again demonstrated the benefits of stimulation activities undertaken in conjunction with ESP replacements where the well productivity was boosted by some 50%

- › A team comprising ETAP and Panoro staff are progressing a subsurface re-modelling exercise for the Guebiba field. This is expected to lead to further field optimisation and development drilling recommendations

Exploration and other Assets

- › In October Panoro was provisionally awarded a 25% non-operated interest in exploration blocks G12-13 and H12-13 offshore shallow water Gabon, part of the 12th Offshore Licensing Round. Partners in the blocks will include BW Energy (37.5% and operator) and VAALCO Energy (37.5%)
- › In South Africa the Block 2B joint venture partners tendered for a semi-submersible rig and completed a seabed survey in preparation for drilling the Gazania-1 well. The operator, Azinam, finalised the well plan and is currently conducting negotiations with various rig contractors to optimize the well budget and drill the Gazania-1 well before the Exploration Right expires in November 2022. Panoro holds a 12.5% interest in Block 2B
- › Panoro continues to make progress towards the sale of its interest in OML 113 and the Aje field to PetroNor E&P. Due to further delays the long stop date was extended to 30th November to allow additional time for the statutory approvals process to complete. Upon completion Panoro will dividend shares in PetroNor E&P received as consideration to shareholders
- › Post period end, discussions on the Sfax Offshore Permit situation with the Tunisian authorities proceeded towards a potential resolution. Such envisioned resolution includes a proposal to renew the license period, the bank guarantee partially drawn (USD 6.3 million) and the remaining amount cancelled and cash returned to Panoro (USD 3.6 million). The amount drawn under the bank guarantee represents the amount the Tunisian authorities believe is payable from DNO's non-fulfilment of a work programme at Sfax Offshore. Panoro is evaluating the amount claimed and will consider its next steps in due course

Outlook and Guidance

Panoro expects working interest production to climb to a level of approximately 8,500 bopd by year end. Operational guidance and expectations for next year will be provided in early 2022

FINANCIAL INFORMATION

The financial information set out below is intended as a high level update of the results and financial position of Panoro. This information is unaudited and has been prepared using the same accounting policies and principles applied to preparation of the Group's 2020 Annual report.

Condensed Consolidated Statement of Comprehensive Income

Q3 2020	Q2 2021	Q3 2021		YTD 2021	YTD 2020
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
7,590	23,060	3,723	Total revenues	38,630	16,133
(3,978)	3,052	(874)	Operating expenses	(1,809)	(8,830)
(1,160)	(3,256)	(1,371)	General and administrative costs	(7,139)	(4,245)
2,452	22,856	1,478	EBITDA	29,682	3,058
(1,717)	(7,679)	(8,636)	Depreciation, depletion and amortisation	(18,200)	(5,167)
(228)	48,215	(2,717)	Other non-operating items	45,267	(652)
507	63,392	(9,875)	EBIT - Operating income/(loss)	56,749	(2,761)
(1,526)	(5,012)	(3,731)	Financial costs net of income	(11,321)	6,569
(1,019)	58,380	(13,606)	Profit/(loss) before tax	45,428	3,808
(1,122)	(2,757)	(5,957)	Income tax expense	(10,511)	(2,565)
(2,141)	55,623	(19,563)	Net profit/(loss) from continuing operations	34,917	1,243
(149)	(365)	(329)	Net income/(loss) from discontinued operations	(831)	(2,309)
(2,290)	55,258	(19,892)	Net profit/(loss) for the period	34,086	(1,066)
-	-	-	Other comprehensive income	-	-
(2,290)	55,258	(19,892)	Total comprehensive income/(loss) for the period (net of tax)	34,086	(1,066)

EARNINGS PER SHARE

(0.03)	0.49	(0.18)	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	0.30	(0.01)
(0.03)	0.49	(0.17)	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	0.31	0.01

Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful non-GAAP financial measure to help understand underlying operational performance. The foregoing analysis has also been performed including, on an adjusted basis, the Underlying Operating Profit/(Loss) before tax from continuing operations of the Group. A reconciliation with adjustments to arrive at the Underlying Operating Profit/(Loss) before tax from continuing operations is included in the table below:

Q3	Q2	Q3		YTD	YTD
2020	2021	2021		2021	2020
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	(Unaudited)	(Unaudited)
(1,019)	58,380	(13,606)	Net income/(loss) before tax - continuing operations	45,428	3,808
228	246	377	Share based payments	854	652
88	696	7	Non-recurring costs	1,142	144
-	(48,461)	2,340	Gain on acquisition of business	(46,121)	-
1,810	2,571	427	Unrealised (gain)/loss on commodity hedges	4,636	(4,778)
1,107	13,432	(10,455)	Underlying operating profit/(loss) before tax	5,939	(174)

Underlying Operating Profit/(Loss) before tax is a supplemental non-GAAP financial measures used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Underlying Operating Profit/(loss) before tax as Net income (loss) from continuing operations before tax adjusted for (i) Share based payment charges, (ii) unrealised (gain) loss on commodity hedges, (iii) (gain) loss on sale of oil and gas properties, (iv) impairments write-off's and reversals, and (v) similar other material items which management believes affect the comparability of operating results. We believe that Underlying Operating Profit/(Loss) before tax and other similar measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the oil and gas sector and will provide investors with a useful tool for assessing the comparability between periods, among securities analysts, as well as company by company. Because EBITDA and Underlying Operating Profit/(Loss) before tax excludes some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.

Condensed Consolidated Statement of Financial Position

	As at 30 September 2021	As at 30 June 2021	As at 31 December 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Tangible and intangible assets	468,242	461,995	95,036
Other non-current assets	133	137	135
Total Non-current assets	468,375	462,132	95,171
Inventories, trade and other receivables	37,017	45,602	16,777
Other current assets	-	-	1,380
Cash and cash equivalents, including cash held for Bank guarantee	45,068	93,147	15,634
Total current assets	82,085	138,749	33,791
Assets classified as held for sale	20,455	21,418	20,445
Total Assets	570,915	622,299	149,407
Total Equity	179,825	199,341	67,945
Decommissioning liability	152,081	151,602	21,464
Loans and borrowings	78,330	85,490	12,738
Other non-current liabilities	16,416	17,025	6,898
Deferred tax liabilities	72,357	75,631	3,217
Total Non-current liabilities	319,184	329,748	44,317
Loans and borrowings - current portion	19,037	18,843	8,455
Trade and other current liabilities	22,140	36,682	8,477
Current and deferred taxes	11,077	17,357	1,302
Total Current liabilities	52,254	72,882	18,234
Liabilities directly associated with assets classified as held for sale	19,652	20,328	18,911
Total Liabilities	391,090	422,958	81,462
Total Equity and Liabilities	570,915	622,299	149,407

Condensed Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

<i>For the nine months ended 30 September 2021 Amounts in USD 000</i>	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2021 (Audited)	459	349,446	122,465	(361,017)	(37,647)	(5,761)	67,945
Net income/(loss) for the period - continuing operations	-	-	-	54,480	-	-	54,480
Net income/(loss) for the period - discontinued operations	-	-	-	(502)	-	-	(502)
Total comprehensive income/(loss)	-	-	-	53,978	-	-	53,978
Share issue for cash	260	80,417	-	-	-	-	80,677
Settlement of Restricted Share Units	-	-	(1,374)	-	-	-	(1,374)
Share issue costs	-	(3,043)	-	-	-	-	(3,043)
Employee share options charge	-	-	480	-	-	-	480
Share issue under RSU plan	2	676	-	-	-	-	678
At 30 June 2021 (Unaudited)	721	427,496	121,571	(307,039)	(37,647)	(5,761)	199,341
Net income/(loss) for the period - continuing operations	-	-	-	(19,563)	-	-	(19,563)
Net income/(loss) for the period - discontinued operations	-	-	-	(329)	-	-	(329)
Total comprehensive income/(loss)	-	-	-	(19,892)	-	-	(19,892)
Employee share options charge	-	-	376	-	-	-	376
At 30 September 2021 (Unaudited)	721	427,496	121,947	(326,931)	(37,647)	(5,761)	179,825

Attributable to equity holders of the parent

<i>For the nine months ended 30 September 2020 Amounts in USD 000</i>	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2020 (Audited)	458	349,193	122,131	(355,683)	(37,647)	(5,761)	72,691
Net income/(loss) for the period - continuing operations	-	-	-	3,384	-	-	3,384
Net income/(loss) for the period - discontinued operations	-	-	-	(2,160)	-	-	(2,160)
Total comprehensive income/(loss)	458	349,193	122,131	(354,459)	(37,647)	(5,761)	73,915
Employee share options charge	-	-	423	-	-	-	423
At 31 June 2020 (Unaudited)	458	349,193	122,554	(354,459)	(37,647)	(5,761)	74,338
Net income/(loss) for the period - continuing operations	-	-	-	(2,141)	-	-	(2,141)
Net income/(loss) for the period - discontinued operations	-	-	-	(149)	-	-	(149)
Total comprehensive income/(loss)	458	349,193	122,554	(356,749)	(37,647)	(5,761)	72,048
Employee share options charge	1	253	-	-	-	-	254
Share issue for cash	-	-	198	-	-	-	198
Employee share options charge	-	-	(530)	-	-	-	(530)
At 30 September 2020 (Unaudited)	459	349,446	122,222	(356,749)	(37,647)	(5,761)	71,970

Condensed Consolidated Statement of Cashflows

Q3 2020	Q2 2021	Q3 2021		YTD 2021	YTD 2020
(Unaudited)	(Unaudited)	(Unaudited)	Cash inflows / (outflows) (USD 000)	(Unaudited)	(Unaudited)
(1,168)	58,015	(13,935)	Net (loss)/income for the period before tax	44,597	(2,329)
ADJUSTED FOR:					
1,717	7,679	8,636	Depreciation	18,200	5,167
(2,391)	39,889	(5,297)	Increase/(decrease) in working capital	31,346	416
(1,886)	(1,854)	(14,251)	Taxes	(18,341)	(5,116)
1,399	5,456	3,878	Net finance costs and losses/(gains) on commodity hedges	11,922	(6,349)
-	(48,461)	2,340	Gain on acquisition of business	(46,121)	-
(15)	294	412	Other non-cash items	971	619
(2,344)	61,018	(18,217)	Net cash (out)/inflow from operations	42,574	(7,592)
CASH FLOW FROM INVESTING ACTIVITIES					
-	(46,028)	-	Cash outflow related to acquisition(s)	(134,855)	-
(1,196)	(6,180)	(18,519)	Investment in exploration, production and other assets	(25,435)	(10,255)
(1,196)	(52,208)	(18,519)	Net cash (out)/inflow from investing activities	(160,290)	(10,255)
CASH FLOW FROM FINANCING ACTIVITIES					
-	35,000	-	Proceeds from loans and borrowings (net of upfront and arrangement costs)	88,325	-
-	(2,054)	(782)	Repayment of non-recourse loan	(3,105)	(1,408)
(720)	(870)	(6,270)	Repayment of Senior Secured loan	(7,860)	(2,160)
1,178	(480)	(762)	Realised gain/(loss) on commodity hedges	(1,524)	3,867
(293)	(1,739)	(3,437)	Borrowing costs, including bank charges	(5,401)	(971)
-	1	-	Gross proceeds from Equity Private Placement and Subsequent offering	80,116	-
-	(130)	-	Cost of Equity Private Placement and settlement of RSUs	(3,173)	-
(61)	(61)	(60)	Lease liability payments	(182)	(185)
104	29,667	(11,311)	Net cash (out)/inflow from financing activities	147,196	(857)
(3,436)	38,477	(48,047)	Change in cash and cash equivalents during the period	29,480	(18,704)
2	(10)	(32)	Change in cash and cash equivalents - assets held for sale	(46)	2
9,053	44,720	83,187	Cash and cash equivalents at the beginning of the period	5,674	20,493
5,619	83,187	35,108	Cash and cash equivalents at the end of the period	35,108	5,674

Segment information

Q3 2020	Q2 2021	Q3 2021		YTD 2021	YTD 2020
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>All amounts in USD 000 unless otherwise stated</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING SEGMENTS - GROUP NET SALES					
959	1,351	1,349	Net average daily production - TPS assets (bopd)	1,339	1,163
-	4,153	4,262	Net average daily production - Block G (bopd)	4,161	-
1,159	1,053	1,577	Net average daily production - Dussafu (bopd)	1,214	1,032
2,117	6,556	7,189	Total Group Net average daily production (bopd)	6,715	2,194
104,705	132,620	28,490	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	284,574	141,629
-	-	-	Oil sales (bbls) - Net to Panoro - Block G, Equatorial Guinea	-	-
55,961	174,777	-	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	230,880	97,956
160,666	307,397	28,490	Total Group Net Sales (bbls) - continuing operations	515,454	239,585
Discontinued operations					
234	159	154	Net average daily production - Aje (bopd)	121	252
-	26,985	27,809	Oil sales (bbls) - Net to Panoro - Aje, Nigeria	54,794	63,049
OPERATING SEGMENT - WEST AFRICA - GABON					
1,677	7,307	166	EBITDA	10,345	4,096
-	-	-	Impairment of E&E Assets - Charge/(Reversal)	-	-
774	648	919	Depreciation and amortisation	2,160	2,212
50,687	183,389	183,036	Segment assets	183,036	50,687
OPERATING SEGMENT - WEST AFRICA - EQUATORIAL GUINEA					
-	10,748	1,733	EBITDA	12,478	-
-	-	-	Impairment of E&E Assets - Charge/(Reversal)	-	-
-	5,636	6,294	Depreciation and amortisation	11,930	-
-	322,294	280,697	Segment assets	280,697	-
OPERATING SEGMENT - NORTH AFRICA - TUNISIA					
1,714	6,600	713	EBITDA	11,884	2,244
892	1,340	1,368	Depreciation and amortisation	3,946	2,797
72,540	78,215	73,090	Segment assets	73,090	72,540
CORPORATE					
(939)	(1,799)	(1,134)	EBITDA	(5,025)	(3,282)
51	55	55	Depreciation and amortisation	164	158
3,358	16,983	13,637	Segment assets	13,637	3,358
TOTAL - CONTINUING OPERATIONS					
2,452	22,856	1,478	EBITDA	29,682	3,058
-	-	-	Impairment of E&E Assets - Charge/(Reversal)	-	-
1,717	7,679	8,636	Depreciation and amortisation	18,200	5,167
126,585	600,881	550,460	Segment assets	550,460	126,585
Nigeria - Discontinued operations					
(149)	(365)	(329)	Net income/(loss) for the period-Discontinued operations	(831)	(2,309)
21,575	21,418	20,455	Assets classified as held for sale	20,455	21,575
(19,270)	(20,328)	(19,652)	Liabilities directly associated with assets classified as held for sale	(19,652)	(19,270)

1. Basis of preparation

The purpose of the unaudited condensed consolidated financial statements contained herein is to provide a high level update on Panoro activities, does not constitute an interim financial report under IAS 34 and should be read in conjunction with the financial information and the risk factors contained in the Company's 2020 Annual Report, available on the Company's website www.panoroenergy.com.

The condensed consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (USD 000), except when otherwise stated.

By virtue of a shareholder agreement with Beender, Panoro's investment in Sfax Petroleum Corporation AS ("Sfax Corp") is 60%. As such, only 60% of the account balances and transactions of the Tunisian acquisitions have been included on a line by line basis in Panoro's financial statements from their respective completion dates by proportionally consolidating the results and balances of Sfax Corp and its subsidiaries.

In October 2019, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income.

Comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position.

2. Significant accounting policies and assumptions

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2020 Annual Report.

3. Principal risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are consistent with those outlined in the Group's 2020 Annual Report.

4. Business Combination and Asset Acquisition Transactions

Dussafu Transaction

Panoro and its fully owned subsidiary Pan Petroleum Gabon BV, acquired 10% WI in the Dussafu Marin Permit from Tullow Oil plc effective 1 July 2020. Completion occurred on 9 June 2021 at which time the transaction was recognised as a business combination under IFRS 3 which included recognition of fair value uplift, goodwill and the associated deferred tax under the standard which customary on recognition of such acquisitions. These adjustments were based on provisional calculations available at the time of publication of the half year report and has now been finalised.

The finalised fair values of the identifiable assets and liabilities of 10% WI in Dussafu Marin Permit and the Purchase Price Allocation (“PPA”) at the date of acquisition were as follows:

<i>Amounts in USD 000</i>	Balance sheet pre PPA	Adjustment 1	Adjustment 2	Balance sheet post PPA
ASSETS				
Exploration and evaluation assets	28,624	-	-	28,624
Development assets	20,117	-	-	20,117
Production reserves	-	39,859	-	39,859
Goodwill acquired	-	(60,072)	-	(60,072)
Goodwill related to step up / deferred tax	-	-	13,951	13,951
Intangible fixed assets	48,741	(20,213)	13,951	42,479
Production assets and equipment	13,843	-	-	13,843
Inventory	3,456	-	-	3,456
Other receivable	1,722	-	-	1,722
Total assets	67,762	(20,213)	13,951	61,500
LIABILITIES				
Decommissioning liability	4,171	-	-	4,171
Deferred tax liability	-	-	13,951	13,951
Other current liabilities	4,350	-	-	4,350
Total liabilities	8,521	-	13,951	22,472
Net assets (liabilities) acquired	59,241	(20,213)	-	39,028

Under the requirements of IFRS 3 “Business Combinations” any excess of fair value of net assets acquired over the consideration paid is recognised in the income statement as gain on acquisition of business. An adjustment to other non-operating items in the income statement of USD 2.3 million to reduce gain on acquisition is recorded on finalisation of the PPA in this quarter.

5. Loans and borrowings

5.1. Mercuria Senior Secured Loan

Current and non-current portion of the outstanding balance of the Mercuria Senior Secured facility as of the date of the statement of financial position attributable to Panoro's 60% ownership is as follows:

	30 September 2021	30 June 2021	31 December 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	6,840	7,860	9,900
Senior Loan facility - Current	4,800	4,650	4,200
Senior Loan interest accrued - Current	183	196	224
Total Senior Loan facility	11,823	12,706	14,324
Senior Loan Unamortised borrowing costs - Non-current	(164)	(189)	(240)
Senior Loan Unamortised borrowing costs - Current	(101)	(102)	(102)
Total Unamortised borrowing costs	(265)	(291)	(342)
Total Senior Loan facility	11,558	12,415	13,982

The amended Senior Loan facility has a term of 5 years from 30 June 2019 with interest charged at USD 3-month LIBOR plus 6% on the balance outstanding, with repayments due each quarter.

Key financial covenants are required to be tested at the end of every 3-month period. These covenants, applicable at levels of the borrower group as defined in the loan documentation, include the following:

- (i) Field life coverage ratio: 1.50x
- (ii) Minimum cash balance of USD 2.1 million to be maintained at all times in the collection account of the ring-fenced asset holding company (USD 3.5 million gross)
- (iii) Debt service coverage ratio: between 1.15x and 1.25x subject to specifications in the loan agreement.
- (iv) Liquidity Test: Customary to the loan instrument.

Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. During the current quarter, these costs are expensed using an effective interest rate of 7% per annum over the remaining term of the facility (effective interest rate for quarter ended 31 December 2020: 7.4%).

5.2. MCB/Trafigura Senior Secured Reserve Based Loan

Current and non-current portion of the outstanding balance of the Trafigura Senior Secured Reserve Based Lending facility as of the date of the statement of financial position is as follows:

	30 September 2021	30 June 2021	31 December 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Borrowing Base Loan facility - Non-current	73,800	79,200	-
Borrowing Base Loan facility - Current	10,800	10,800	-
Borrowing Base Loan interest accrued - Current	-	-	-
Total Senior Loan facility	84,600	90,000	-
Borrowing Base Unamortised borrowing costs - Non-current	(2,146)	(2,136)	-
Borrowing Base Unamortised borrowing costs - Current	(1,074)	(1,074)	-
Total Unamortised borrowing costs	(3,220)	(3,210)	-
Total Senior Loan facility	81,380	86,790	-

The amended Senior Loan facility has a term of 5 years from 31 March 2021 with interest charged and paid quarterly at USD 3-month LIBOR plus 7.5% on the balance outstanding, with principal repayments due each six months.

Key financial covenants are required to be tested 30 September and 31 March at the end of every 3-month period. These covenants, applicable at levels of the borrower group as defined in the loan documentation, include the following:

- (i) Group Net debt/EBITDA: ≤ 3.0
- (ii) Minimum cash balance of USD 7.0 million to be maintained in the account of the Borrower

- (iii) Field life coverage ratio: 1.5x
- (iv) Loan life coverage ratio: 1.3x
- (v) Group Liquidity Test: 1.2x (Borrower and subsidiaries)

Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. During the current quarter, these costs are expensed using an effective interest rate of 9.46% per annum over the remaining term of the facility.

5.3. BW Energy non-recourse loan

The Group has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. The loan bears interest at 7.5% per annum on outstanding balance, compounded annually. The balance outstanding at each balance sheet date presented is as below:

	30 September 2021	30 June 2021	31 December 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	-	755	3,078
BW Energy non-recourse loan - Current	4,429	4,373	4,133
Total carrying value	4,429	5,128	7,211

The non-recourse loan is repayable through Panoro's 7.4997% working interest allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment period has started after achieving production on Dussafu and will be repaid from Panoro's portion of upcoming crude oil sales. During the repayment phase, Panoro will still be entitled to its share of profit oil from the Dussafu operations.

Since the repayment of the loan is linked to production and impacted by oil prices and operating expenses; judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

OTHER INFORMATION

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Barrels of oil per day
Kbopd	Thousands of barrels of oil per day
Bcf	Billion cubic feet
Bm ³	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm ³	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes
TVDSS	True Vertical Depth Subsea

Disclaimer

This report does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA ("Company"). This report contains certain statements that are, or may be deemed to be, "forward-looking statements", which include all statements other than statements of historical fact. Forward-looking statements involve making certain assumptions based on the Company's experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual events or results may differ materially from those projected or implied in such forward-looking statements due to known or unknown risks, uncertainties and other factors. These risks and uncertainties include, among others, uncertainties in the exploration for and development and production of oil and gas, uncertainties inherent in estimating oil and gas reserves and projecting future rates of production, uncertainties as to the amount and timing of future capital expenditures, unpredictable changes in general economic conditions, volatility of oil and gas prices, competitive risks, counter-party risks including partner funding, regulatory changes including country risks where the Group's assets are located and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report, and we undertake no obligation to update or revise any of this information.



Panoro Energy

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